

SENATOR GAYLE SLOSSBERG

Fourteenth District

Legislative Office Building
Room 2200
Hartford, CT 06106-1591
Tel. (860) 240-0482
Home (203) 878-6412
Toll-free (800) 842-1420

Slossberg@senatedems.ct.gov
www.senatedems.ct.gov/Slossberg.html



State of Connecticut
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Chair
Government Administration & Elections
Vice-Chair
Public Health
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Member
Appropriations

June 4, 2008

Chairman Donald Downes
10 Franklin Square
New Britain, Connecticut 06051

Dear Chairman Downes:

I am writing to urge the Commissioners of the Department of Public Utility Control to reject any proposal to increase rates, or increase long term costs that may be proposed by the United Illuminating Company pursuant to docket number 05-06-04REO5. **With the downturn in the economy, consumers (residential, commercial and municipal), simply cannot afford another increase in their electricity rates.**

UI claims that, due to conservation, lower sales volume, capital expenditures and uncollected bills, the Company is unable to recover its costs and earn a reasonable return. Accordingly, they seek "rate relief", which will result in a rate increase or an increase in the long term costs of electricity to their customers. Neither is a viable option for the following reasons.

1. UI customers cannot afford another rate increase nor should they be required to forego any expected savings. As you know, the 2006 rate case established a rate plan for four years starting in 2006, and ending December 31, 2009. In 2007, only the second year of that plan, UI customers experienced a near doubling of their electric bills due in large part to the increase in generation costs. I am still hearing from the people in my district who are struggling to pay their electric bills *at today's rate*. Everywhere I go in my district, people are cutting back on their spending, planning to wear sweaters in the winter to keep the heat down, turning off the air conditioner, driving less and doing whatever they can to make ends meet.

A potential rate increase would be devastating to our municipalities. At this time, the municipalities in my district have completed their budgets based on the current rate plan. Most of our municipalities are tightening their belts, needing to cut services to their

citizens to balance their budgets. Any increase in electricity rates will leave gaping holes in local budgets.

Any increase in rates would be equally devastating to Connecticut's businesses and our economy as a whole. While our businesses are engaging in planning for this down economic cycle, the instability in electric rates, especially the likelihood of a rate increase, will undoubtedly alter even the most conservative plans. Many businesses will not survive another round of unscheduled rate increases, which will ultimately hurt Connecticut's already fragile economy.

2. UI is not guaranteed a particular return or even a particular return on equity. While the 2006 final decision allowed United Illuminating a return on equity of 9.75%, as a result of the downturn in the economy coupled with the successes of conservation, United Illuminating has stated that its return on equity has fallen to somewhere between 8% to 8.93%. It is thus abundantly clear that the impetus for UI's present request is to enhance its share price, at the expense of its own customers. While United Illuminating has a duty to its shareholders, *we have an obligation to protect the consumer*. Another increase, simply to bolster's UI's bottom line, is simply unacceptable.

3. The requested relief is short cited and based on a faulty business analysis. While the Company is entitled to recover its costs and earn a just and reasonable return, increasing rates provides no incentive to the Company to make good business decisions, keep costs down and operate more efficiently, nor does any creative financing plan that will increase the long term costs to UI's customers. Connecticut customers, homeowners and businesses alike, are facing the mortgage crisis and spiraling costs by looking inward to their own operations to find greater efficiencies and savings. United Illuminating must do the same. Allowing the Company to increase rates or keep savings that are due to the ratepayers whenever it is not making the anticipated revenues encourages waste and inefficiency.

A rate increase will not decrease UI's uncollectibles, but will likely increase them due to more business failures and tightening budgets. Thus, a rate increase would be unlikely to achieve the very goals UI asserts in reopening the rate case.

4. The requested relief is contrary to sound public policy. Should the DPUC choose to increase rates, consumers would be penalized for conservation, the very thing we in Connecticut are striving to achieve, and UI professes to support.¹ For the past several years, the legislature has been working with the DPUC and other state agencies to encourage conservation and competition in the energy industry. It would be contrary to public policy to increase consumers' rates because they are conserving energy.

¹ UI attributes falling revenues to, among other things, a decline in sales, which results from conservation.

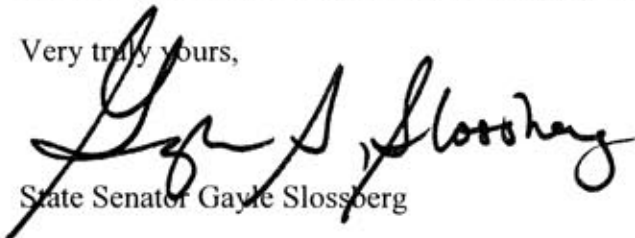
The DPUC's draft decision to reopen the rate case also violates the prohibition against single issue rate making. As a matter of good energy policy, the Legislature has encouraged the DPUC to establish rates in an open and full proceeding considering all the relevant factors necessary to establish a fair rate. A decision to reopen the rate case for a limited review deprives the public of proper participation and fails to take into account the full financial picture of the Company. UI's request for limited review is a back door around a proper rate case that considers all of the necessary components in setting a just and reasonable return.

Finally, **UI has within its own power the ability to address a significant portion of its rate problem.** The DPUC draft decision of May 9, 2008 (05-06-04 REO4) provides a clear and simple road map for rate relief that does not impact the consumer. The DPUC should encourage the Company to consider those options before any consideration of rate increases.

In this fragile environment it is unreasonable for UI on behalf of its shareholders to be seeking increased benefits. The law requires the DPUC to ensure that utility rates are "just, reasonable and adequate" while at the same time protecting consumers. For all of the above reasons, I strongly urge you to reject any increase in United Illuminating's rates or any proposal that would increase the long term cost of electricity to UI's customers.

Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gayle Slossberg", written over a horizontal line.

State Senator Gayle Slossberg